

Sales and Use Tax on Food and Food Ingredients Under Public Chapter 856

Sales & Use tax notice

Effective July 15, 2002, Tennessee law raises the state sales and use tax rate from 6% to 7%. However, the law provides that "food and food ingredients" continue to be taxed at a state tax rate of 6% plus the applicable local tax rate. The law defines "food and food ingredients" as follows:

"food and food ingredients" means substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value.

The reduced rate for "food and food ingredients" does not apply to:

- 1) Candy
- 2) Dietary supplements; and
- 3) Prepared Food

These three categories of food will be taxed at the full state tax rate of 7% plus applicable local tax effective July 15, 2002. *Please see separate Important Notices regarding the definitions of [Candy](#), [Dietary Supplements](#) and [Prepared Food](#).*

The following items are specifically excluded from the definition of food and food ingredients, and are therefore subject to the full state tax rate of 7% plus applicable local tax:

- 1) beer, wine or any other beverage that contains alcohol and is regulated pursuant to Title 57;
- 2) cigarettes, cigars or any other product that contains tobacco.

On the next page of this notice are examples of categories of food with the applicable tax rates.

Have questions or comments? Please let us know. [Contact us.](#)

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Examples of food and food ingredients that are taxed at 6% state tax rate plus applicable local tax:

The following list shows the general rule on the applicable tax rate. If any of these items are prepared by the seller, they are taxable at the full 7% state tax rate plus applicable local tax.

<ul style="list-style-type: none"> • baking powder • baking soda • beverage powders unless dietary supplement • bread • cakes • cereals • chip dip • chips (potato, corn, etc.) • cocoa • coffee • condiments • cookies • cooking oil • dairy products • dried fruit without sweeteners • eggs • fish • flavorings • flour 	<ul style="list-style-type: none"> • food coloring • frozen meals • fruit juices, including juices with 50% or less fruit juices • fruits • gelatin • gravies • herbs (seasoning) • ice cream, sherbet, and frozen yogurt, including prepackaged novelties • ice cubes or blocks • malted milk powder • margarine • meat • nuts • peanuts • pies • popcorn 	<ul style="list-style-type: none"> • popsicles • poultry • pumpkins • raisins • relishes • saccharin • salad dressing • salt • sauces • seasonings • shortening • soda pop and soft drinks • spices • sugar (including colored) • sunflower seeds • sweeteners • sweetened bottled water • tea (bags, leaves, or powdered) • vegetables • water
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Examples of food and food ingredients that are taxed at 7% state tax rate plus applicable local tax:

Following is a list of items that are taxable at the 7% state rate plus applicable local rate because they fall into a subcategory of food that is specifically excluded from the reduced rate for food and food ingredients or because they are excluded from the definition of food and food ingredients. The taxable subcategory is noted in parentheses.

<ul style="list-style-type: none"> • baking chips, sweetened baking bars, candy-coated items (candy) • beer (alcoholic beverage) • breath mints (candy) • cake decorations (candy) • cigarettes (tobacco) • cough drops (candy) • dried fruit with sweeteners (candy) • gum (candy) 	<ul style="list-style-type: none"> • herbal supplements (dietary supplement) • honey roasted and honey coated nuts (candy) • lozenges (candy) • marshmallows (candy) • party trays (prepared food) • sweetened baking bars or chips (candy) • tobacco products (tobacco) • vitamins and minerals (dietary supplement)
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